

Suspicious Transaction Reporting



Joint Financial Intelligence Unit

Notification

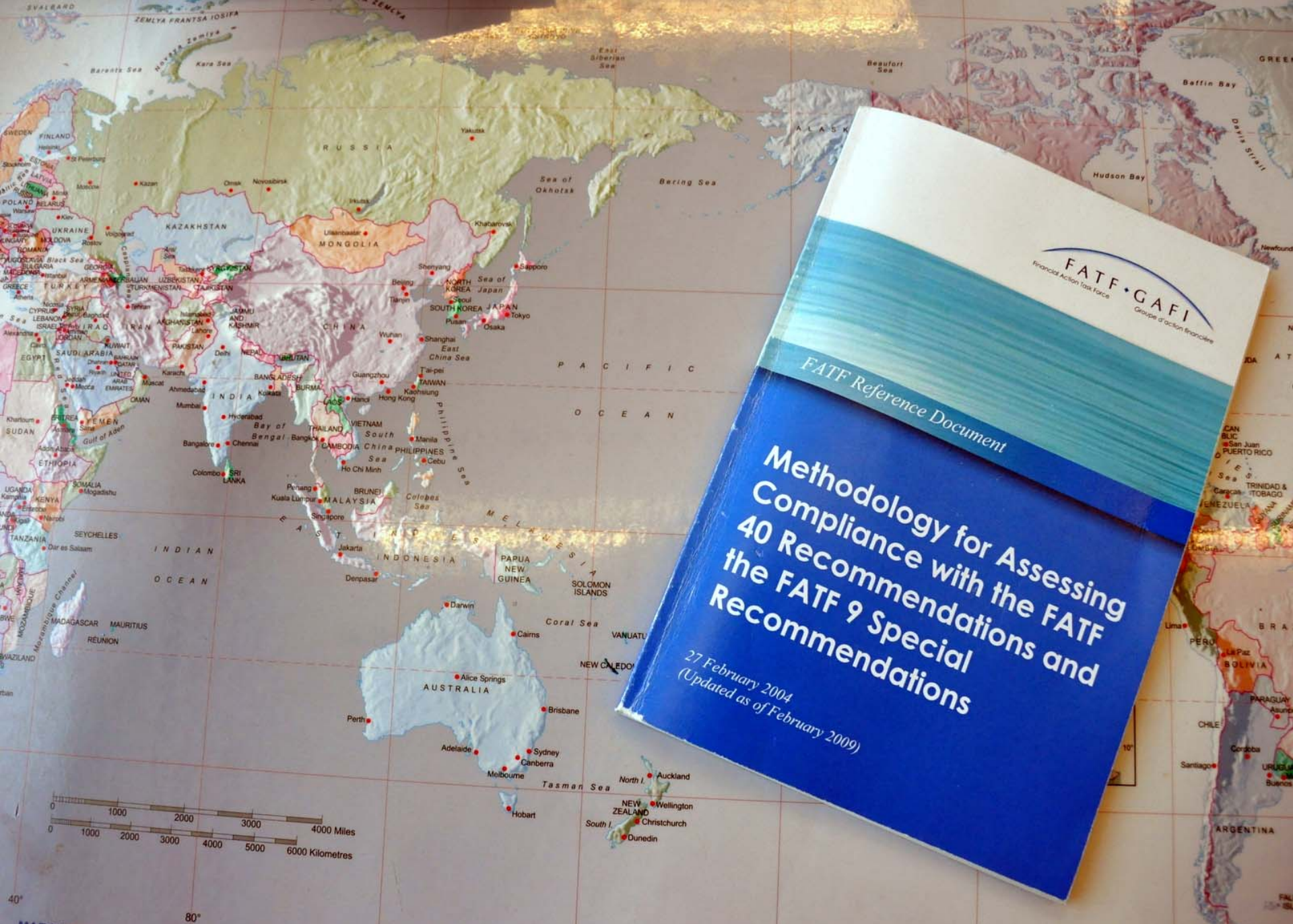


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Introduction



- Legal Obligation to Report
- Filing & Feedback
- Protection & Concerns
- RBA & SAFE
- Statistics
- Practical Considerations
- Case Examples



*"Criminals, driven by profit, have come to rely on the financial system; thus, the financial system and the information within it now provide a new **opportunity** to tackle these threats."*



The World Bank, StAR Initiative

Overseas Fraud



- Student A/C Holder
- 100+ Cash and Transfer deposits
- ATM transfers
- STR Made
- A/C Holder Convicted
- Intelligence shared with overseas police as part of wider investigation

Legal Obligation



- Section 25A(1) OSCO- the reporting offence – summary offence
- Failing to report to an authorised officer
- Knowledge or suspicion that any property is or is connected to the proceeds of an indictable offence
- Within a reasonable time



*“There is a possibility,
which is more than
fanciful, that the
relevant facts exist”*

Are You PROTECTED?



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Protection



- AML offence: s.25 (1) OSCO
- Disclosure protection and offence: s.25A(2)
- Protection against suit: s.25 (3)
- Offence to disclose the disclosure: s.25 (5) tipping off “any matter likely to prejudice an investigation”

Administration



➤ JFIU website

- ☐ Making a Report
- ☐ Security
- ☐ Feedback
- ☐ STREAMS

Risk Based Approach (SAFE)



- **S**creen for suspicious activity indicator(s)
- **A**sk appropriate questions
- **F**ind out records for review
- **E**valuate

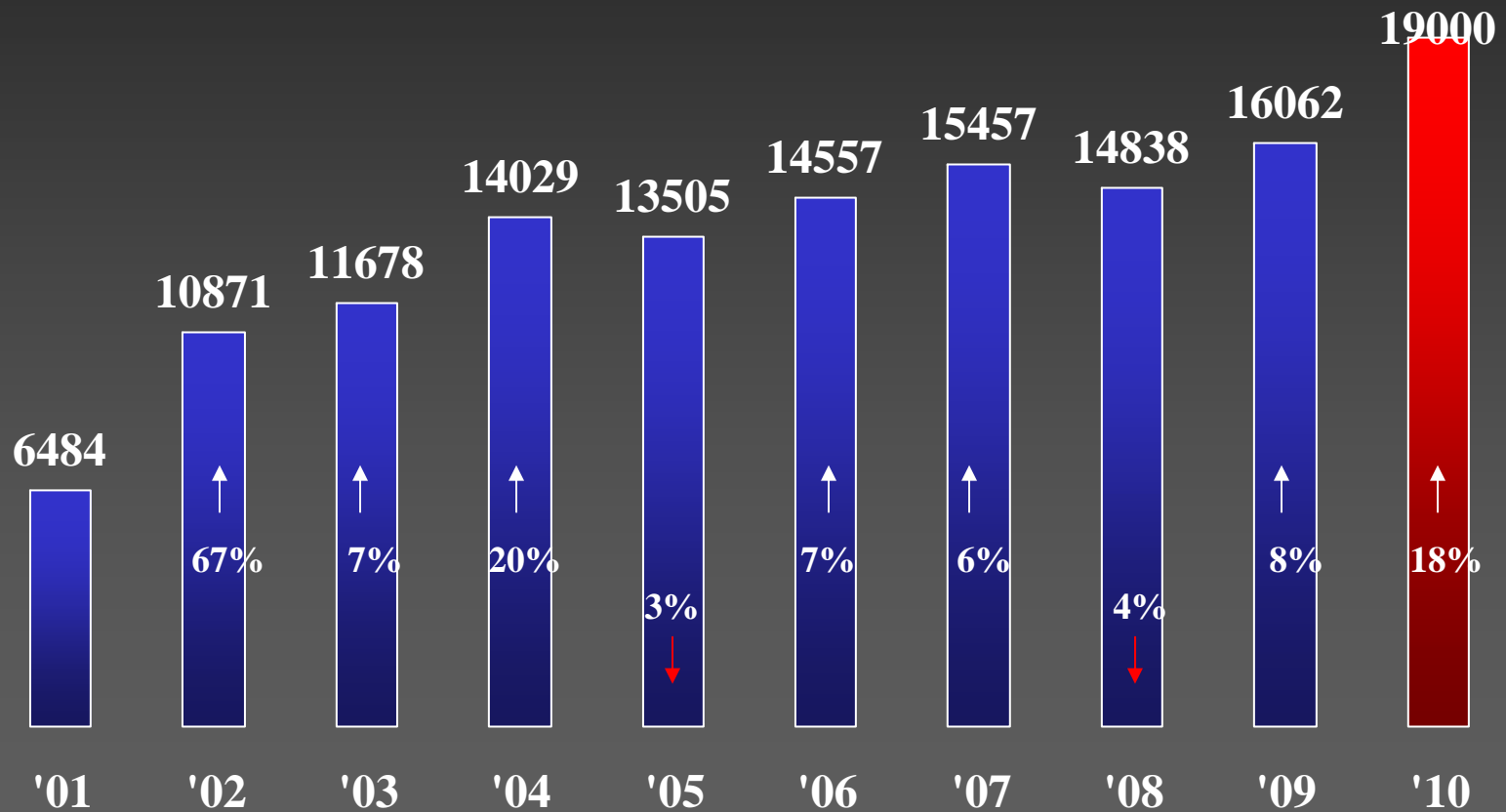
URGENT?



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STR



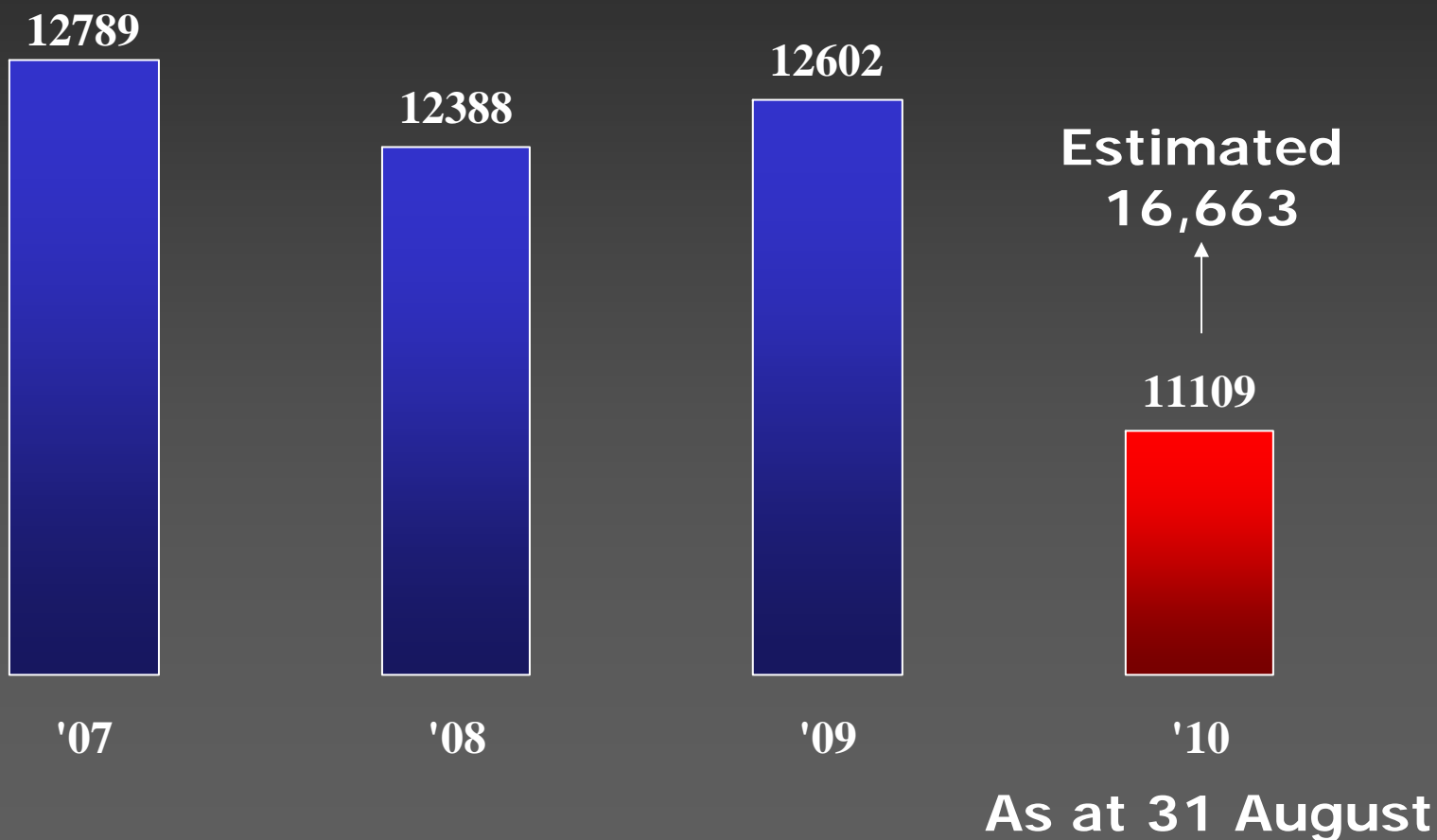
1,583 in a month

395 in week

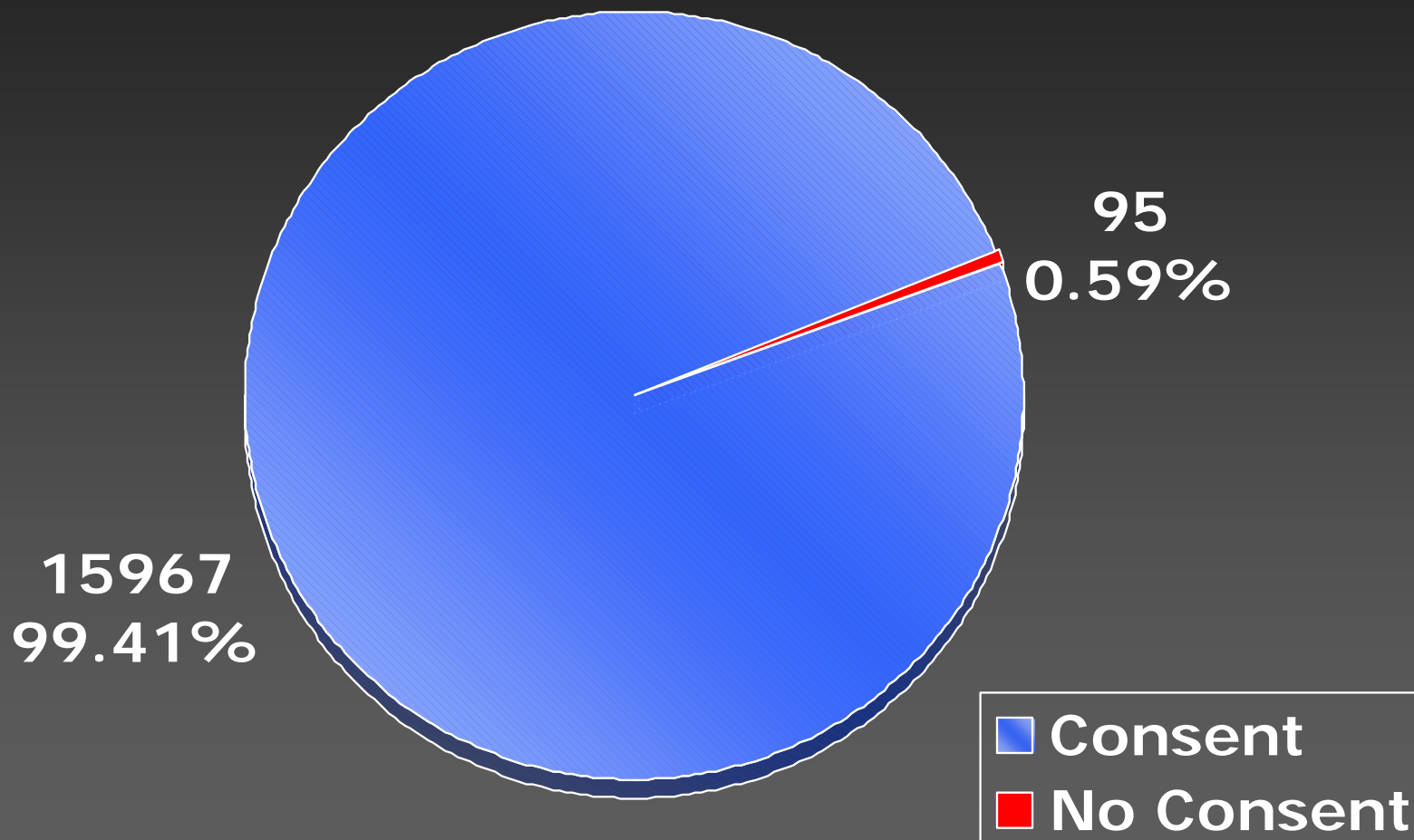
56 in a day

2 during this presentation!

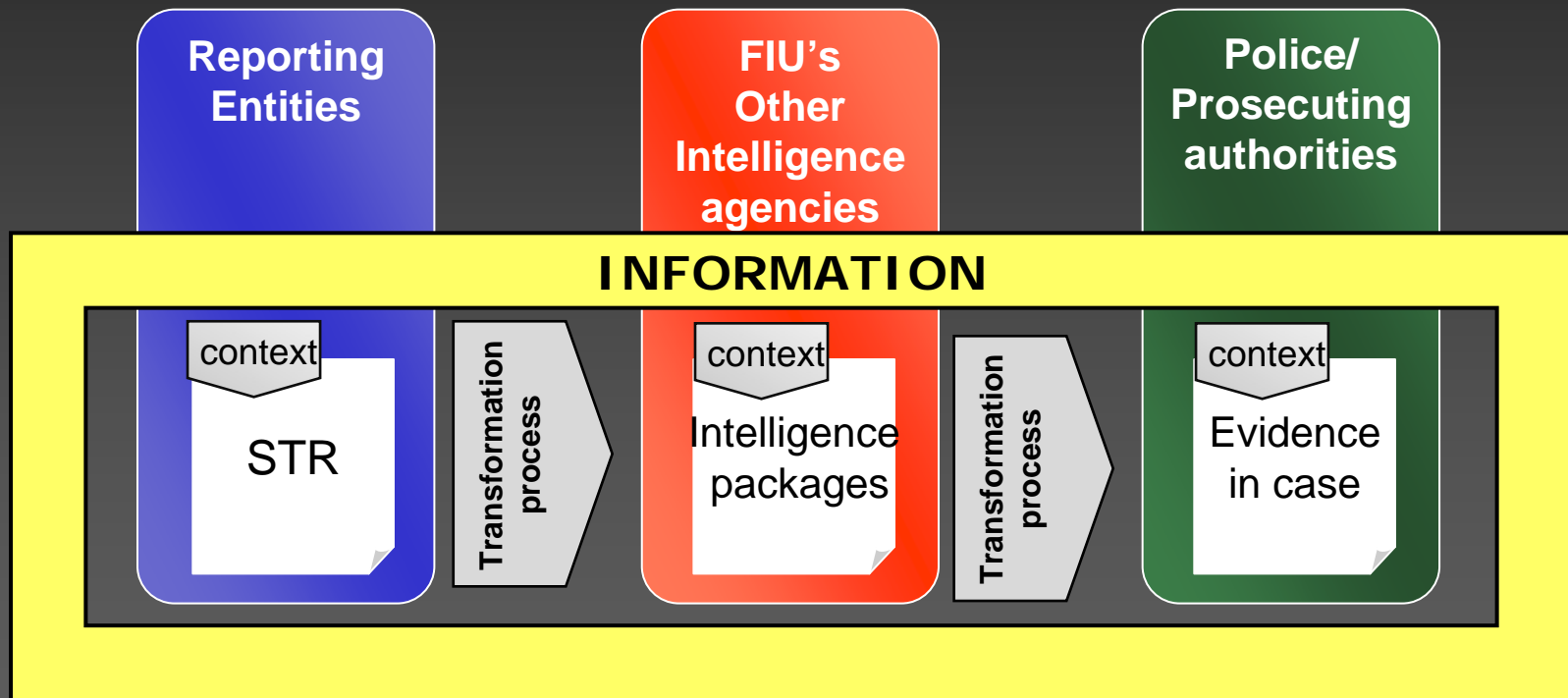
STR - Banks



Percentage for Consent & No Consent STR 2009



Information Flow



**What level of
Suspicion requires
Reporting?**

**What is
Subjective
Suspicion?**

**Should I clarify
with the Client?**

**Is that Tipping
Off?**

Am I Protected?



Could You Do More?



- Suspicious Activity - Child's A/C
- Cheque and Transfer Deposits
- STR Made to JFIU
- Parents with same Bank
- Linked to IPO applications & refunds
- Risk Based Approach - Missing
- Suspicion could have been eliminated

Risk Based Approach (SAFE)



- **S**creen for suspicious activity indicator(s)
- **A**sk appropriate questions
- **F**ind out records for review
- **E**valuate

Telephone Deception



- HK A/C – Targeted from Taiwan
- Non-resident A/C holder, no apparent requirement for banking service in HK
- Inwards remittances from various and unconnected parties, cash withdrawal shortly after
- 18 Victims in Taiwan
- Callers claimed to be Police/Prosecutor
- HK\$15.7 Million
- 15 Arrests + Restraint

Loan Sharking



- Lending Money at an excessive rate
- Frequent low cash value deposits often inconsistent with A/C holder profile
- Often small amounts \$50-500 every 7-10 days, can include decimal
- A/C maintains low / negligible balance before or after the transactions
- ATM transfer or Instant Cash deposit IN
- ATM Cash withdrawal OUT
- Repository only – no other uses

Don't be left holding the Basket for a Loan Shark.....



DH Account being used for Tax Evasion



- Domestic Helper, 9 year relationship with bank consistent with DH income
- Sudden deposit of \$2.2 Million
- Request remittance overseas
- KYC/CDD – Employer operates small business
- STR made
- Analysis suggested criminality – tax evasion + money laundering - indictable offences

Applying RBA



- Steps Taken to Clarify Suspicion?
- Appropriate Questions?
- What Information / Records Reviewed?
- What do you Know / What do you see?
- Analysis of transaction pattern
- What Combination of Red Flags?
- Clearly articulate your suspicion
- Be Professional

Substandard



- “Large Cash Transaction”
- “Frequent or Multiple remittance by same person”

Too Many.....





Too Few.....



Protect

You

Bank

**Hong
Kong**







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